



OREA

State of California
OFFICE OF REAL ESTATE APPRAISERS

HUD Revises VC Checklist

On September 10, 1999, the Department of Housing and Urban Development (HUD) began requiring appraisers to complete the newly revised four page Valuation Condition (VC) checklist (Form HUD-92564-VC). This form requires appraisers to note the existence of any adverse site conditions, possible soil contaminants, structural or mechanical problems observed in the improvements, infestations, and any other adverse influences located in close proximity to the subject property.

The VC checklist is considered an integral part of the appraisal assignment and must be completed in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP). The primary concern facing the appraiser is complying with USPAP's Competency Rule, which requires the appraiser to "have the knowledge and experience to complete the assignment competently." Alternatively, the appraiser must take the necessary

could be a violation of the Competency Rule and result in disciplinary action by OREA.

Therefore, it is important for the appraiser to accurately disclose his or her specific role in any assignment involving the VC checklist. OREA believes that appraisers who do not possess an adequate background in property inspection and/or construction could benefit from utilizing an "Extraordinary Assumption and Limiting Condition" in their appraisal reports. An example of an Extraordinary Assumption and Limiting Condition is as follows:

As a part of this assignment, I have completed the HUD Valuation Condition (VC) form. The purpose of this form is to assist the Direct Endorsement Underwriter in determining if the property meets minimum property standards for HUD. This VC checklist is based only on a visible inspection of those items noted. These findings are based on observable conditions noted at the time of the inspection and other conditions known to exist at the time of the appraisal. I am not a licensed building contractor or professional building inspector. I am not qualified to survey or analyze physical items that are not readily visible. If any of the parties in this transaction have questions or concerns regarding any mechanical or structural physical problems, condition, infestation, contamination or other issues regarding the subject property, an expert in that field of specialty should be consulted.



steps to complete the assignment competently, which in this case might include an association with an expert in home inspection. An appraiser's failure to accurately report all items on the VC checklist

OREA will be discussing its concerns with HUD and will attempt to further address this issue in the next edition of The California Appraiser.